

Dismissing myths, misunderstandings of entrepreneurship

Michael H Morris, Business Day, Johannesburg, April 22, 1996

In recent years, considerable attention has been devoted to the role of entrepreneurship in creating economic development and sustained economic growth.

Consider the following evidence:

- ✓ Studies have shown that the entrepreneurial sector of society accounts for 80% to 90% of all the new jobs created in industrial nations;
- ✓ A direct, positive relationship exists between the level of entrepreneurial activity in a society and the growth of GDP;
- ✓ Entrepreneurship appears to have a significant, positive impact over time on each of seven components of societal quality of life; and
- ✓ At the corporate level, higher levels of entrepreneurial activity vary directly and positively with growth in company sales, assets, employment, and profitability.

And while many of our politicians, civic leaders, economists, corporate executives and labour union leaders are slowly coming to appreciate findings such as these, entrepreneurship remains a very misunderstood concept.

This misunderstanding is reflected in the following 11 "myths". Each of these myths can result in misguided approaches to fostering entrepreneurship within the South African economy.

☒ ***"Entrepreneurship is about setting up a small business".***

This is not necessarily true. Entrepreneurship represents a growth-oriented outlook on business. It implies an innovative approach to running a company.

Most small businesses are not at all entrepreneurial. Rather, they are stagnant, reactive, complacent, *status quo* operations.

While they do serve an important purpose in the country's economy, they do not provide all that much dynamism.

✗ ***"Entrepreneurship is discrete".***

Entrepreneurship does not just "happen". There is a definite process involved. The process starts with identifying an opportunity, then developing a solid business concept, assessing and acquiring resources, and finally, managing and harvesting a venture.

As a process, entrepreneurship can be managed on an ongoing basis and can be applied in organisations of all sizes and types.

✗ ***"Entrepreneurship is about taking wild risks".***

Entrepreneurs are not wild-eyed gamblers. Instead, they are calculated risk-takers. They evaluate a situation and systematically identify the key financial, technical, market, and related risk factors. They then go about identifying ways to manage and minimise the likelihood of each of the underlying risk factors occurring.

✗ ***"Entrepreneurs are born".***

After literally thousands of studies on the psychological and sociological make-up of the entrepreneur, one conclusion emerges: entrepreneurs are not a unique and separate group that is somehow genetically predisposed to be entrepreneurial. They are not "born".

Rather, we all have some degree of entrepreneurial potential within us. The ability to develop and realise that potential is very much a function of one's environment.

✗ ***"Entrepreneurship is about greed".***

We have all heard about the entrepreneur who wants to be a millionaire by age 30, and retired by age 40, but it just does not work this way. The real motivator behind entrepreneurial behaviour is not money, and it certainly is not power or position.

Entrepreneurial individuals tend to be driven by a desire to achieve, to do what others said could not be done, to overcome all the obstacles and naysayers.

✗ ***"Entrepreneurship is about individual drive".***

It is true that entrepreneurial events usually have a driving force behind them in the form of a visionary individual who persists in making change happen.

Even in corporate settings, there must be a champion who keeps a new concept alive and sells the organisation on it.

But entrepreneurship does not happen without teams. Too much must be done to bring a concept to reality. The obstacles are formidable and the technical, legal, financial, marketing and related requirements are complex.

☒ ***"Entrepreneurship needs money".***

Entrepreneurial individuals are opportunity-driven, not resource-driven. They do not limit the scope of their vision by how much money, time, staff, or resources they own.

Rather, they go after their dreams by leveraging resources – by borrowing, begging, partnering, sharing, leasing, and recycling resources.

And it is not just money. Studies of entrepreneurial failure suggest that the problem far more often is related to ill-conceived marketing efforts, or a deficiency of resources other than money, such as poorly prepared managers or inadequate communication channels.

☒ ***"Entrepreneurship is about luck".***

This is not true. Entrepreneurs tend to create their own "luck". It is much more about hard work, creative insight, in-depth analysis, adaptability, and an openness to opportunity when it comes along.

The entrepreneurial individual recognises a trend, a possibility, an unmet demand.

He or she comes up with a concept for capitalising on the trend or demand and does so while the window of opportunity is open.

☒ ***"Entrepreneurship starts with a new product or service".***

This is one of the great mistakes many would-be entrepreneurs make. They come up with a novel product concept without ever determining whether a demand exists, how extensive that demand actually is, how satisfied customers are with current products, what their switching costs would be, and whether they will be able to see meaningful advantages in the new product.

Entrepreneurship does not start with the product or service one would like to sell. It starts with an opportunity, and opportunities are found in the external environment.

☒ ***"Entrepreneurship is unstructured and chaotic".***

When doing something entrepreneurial one is dealing with the unknown.

Entrepreneurial individuals have to be comfortable with ambiguity, as things are rarely nice and clear-cut.

So there is a tendency to think of entrepreneurs as "gunslingers" that shoot from the hip and jump in feet first.

The reality is that not only do they tend to be well-organised individuals. They tend to have a system, perhaps elaborate, perhaps not, but personally designed to keep things straight and maintain priorities.

✘ ***"Most entrepreneurial ventures are destined for failure".***

Many do, but many do not. Failure rates differ widely by industry, and drop off significantly after the first few years of operation. And failure rates rise as the amount of entrepreneurial activity rises.

One has only to consider the high failure rates experienced by new restaurants. Many of these fail because they are not well-positioned, the target market is not well-defined, or the restaurant fails to adequately differentiate itself.

But the failure rate is especially high because the number of start-ups is high.

South Africa is at a crossroads. The challenges are immense, and can seem almost insurmountable. But there are answers, and they do not lie in huge spending programmes or in corporate boardrooms.

The answers lie in the imaginations and aspirations of individuals and the teams they are able to build. The focus must be on the dreamers who take responsibility for change and transformation. A beginning point is discarding the myths and misconceptions.

Course: Induction

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